



August 20, 2010

Kip Smith
HIEM, Executive Director
c/o Northwest Healthcare
310 Sunnyview Lane
Kalispell, MT 59901

RE: rural medical broadband service

Mr. Smith,

Thank you for your phone call earlier this week and bringing me up to speed with HIEM's interest in broadband services to the rural medical clinics in Eureka. I appreciate your interest in asking InterBel if we can meet your needs. As mentioned, I believe InterBel can serve both clinics in Eureka with whatever service you desire. InterBel currently has fiber to the premise and is in a position to offer virtually any capacity or broadband speed now or in the foreseeable future. The FCC has determined that 20 Mbps should serve rural health care network needs. InterBel can provide that immediately. Should you desire more, we're ready to scale to whatever bandwidth demand you have. From our conversation, it did not appear that you have identified what capacity you actually demand. Please let me know if you have identified your capacity needs, and InterBel will be ready to meet them.

I would like to go on record as opposing what HIEM is doing with their fiber construction build-out strategy, essentially using grant money to over-build existing networks in Montana. Listening to your comments, you have made it clear of HIEM's intention to construct and own/lease fiber networks, regardless of what other networks and services already exist, so you can resell unused capacity to generate revenue that will offset or zero out the cost of serving rural medical clinics. This is not a fair or ethical practice and I don't believe it was the intended use of the grant money being provided to HIEM, nor was it the strategy proposed by HIEM in the application for the grant. Such duplication of existing networks puts at risk the ability of existing broadband providers to operate and maintain their networks, and threatens to increase rates and decrease deployment of broadband services to customers served by these existing network providers.

Please confirm the following statements you shared with me on Wednesday:

1. HIEM is not interested in using existing available broadband capacity in serving Eureka.
2. HIEM is only interested in owning its own dark fiber.
3. HIEM is not aware of what broadband speed or capacity is needed now or in the future to serve the rural medical clinics on its proposed network; however, it remains committed to constructing/owning dark fiber.

4. HIEM has no intention to submit an RFP for available broadband capacity which is capable of serving the rural medical clinics in Eureka.
5. HIEM desires dark fiber to "future proof" the needs of rural medical clinics and to resell excess capacity (circuits not necessarily medical related) that will generate additional revenues and off-set expenses.
6. HIEM previously considered the BPA fiber availability at the Libby Dam (only 17 miles from Libby proper), but determined it was too expensive to meet their needs.
7. Instead of constructing a 17-mile fiber leg from Libby to the BPA fiber at Libby Dam, which would provide HIEM with a fiber ring from Kalispell to Libby to Eureka and back, HIEM has determined that constructing a new 160-mile network, that duplicates an existing network, is a more cost effective solution.

In closing I would like to offer up a proposal: Since HIEM researched the use of BPA fiber before you were hired, I'd ask that you look into it again. I believe HIEM could achieve all of their needs with only a 17 mile build-out (of which there is empty duct in the ground currently). The cost is only a fraction of your proposed 90 miles of construction between Kalispell and Libby and the additional 70 miles between Kalispell and Eureka. InterBel is currently using BPA fiber to reach Kalispell and Missoula from Eureka. It works well, it's cost effective and the dark fiber has been made available specifically for private and public use in rural communities such as ours. I have enclosed a copy of a BPA press release (from 1999) or you can visit this web page link for more information:

<http://www.bpa.gov/corporate/BPAnews/archive/1999/nr100499.pdf>

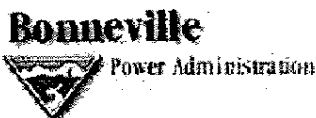
Again, thanks for keeping me in the loop with HIEM's progress. I am hopeful there are better solutions than overbuilding fiber networks when it is not necessary.

Please respond by confirming my summary of our conversation, or let me know if I've mischaracterized any portion of our discussion.

Sincerely,



Randy Wilson
General Manager

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BPA, PUDs agree to use fiber optics for public utility, community purposes

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Bonneville Power Administration

FOR IMMEDIATE RELEASE: MONDAY, October 4, 1999
PR 6499

CONTACTS: Greg Marney, WPUDA (509) 881-2221
or Perry Gruber, BPA (503) 230-3176

Portland, Ore. – Small Towns and communities across the state of Washington will have access to the information superhighway thanks to an agreement announced today. The Bonneville Power Administration and the Washington Public Utility Districts Association signed an agreement to make fiber optic cables available to public and private entities and the communities they serve.

Greg Marney, director of telecommunications for WPUDA, said the network is expected to be running by early 2000 with interconnection points in every county where BPA fiber now runs, within two years. The network will provide access to telecommunication transport between the entities while individual members will operate the network within their own services areas.

"This agreement will bring the information superhighway to rural areas," said Jack Robertson, former BPA deputy administrator. "We are offering special access to anyone who will provide services to those areas at a reasonable cost. Washington PUD Association is the first in Washington to step up to provide this service."

"These lines will enhance utility operations, but we're also pleased to be working with Bonneville to open up available lines to our communities," said Don Godard, manager of Grant County PUD and chairperson of a committee overseeing development of the public telecommunications network. "Many PUDs and other utilities serve communities that currently do not have high speed telecommunication facilities."

WPUDA represents the 28 PUDs that provide electricity and water service in Washington. The association is organizing a nonprofit corporation to set up and operate the network. Sixteen PUDs will belong to the organization initially. Other utilities and other entities may join in the future.

The utilities will use the network for utility purposes and plan to make excess capacity available to other organizations, including schools, hospitals, emergency services, museums, libraries, businesses that contribute to rural economic development, and federal, state, local and tribal governments. The utilities

intend to provide open access to the network at nondiscriminatory, nonprofit, cost-based rates.

Rural communities are not economically attractive to most local and long haul telecommunications companies because of the low population densities and remoteness of connections. Rates can be four times higher than that for urban areas. But end user costs for rural and remote areas served by the agreement will be roughly comparable to those paid by end users in larger communities in the Northwest. BPA's rates for the public benefits fiber program fully recover BPA's costs to install and operate.

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September 2, 2010

Randy Wilson
General Manager
InterBel Telephone Cooperative
PO Box 648
Eureka, MT 59917

Dear Randy:

I have received and reviewed your letter of August 20th as a follow-up to our earlier phone call, the purpose of which was to explore InterBel's available broadband capacity for a possible future RFP for HIEM connectivity from Kalispell to Eureka.

I am disappointed in your opposition to HIEM's efforts to establish a dedicated broadband network for healthcare providers in the northwest Montana region under the FCC's Rural Health Care Pilot Program. Unfortunately, many of the statements which you attributed to our conversation are inaccurate and do not reflect HIEM's intent. Since we hope to work with you in the future, engaging in a point by point rebuttal would not be productive, although I'm constrained to note that our participation in the rural health care program to date has been in close cooperation with the FCC and USAC officials, along with the advice of Washington, DC counsel.

Specific needs of the HIEM network will be incorporated into a future competitive RFP as required under FCC guidelines. InterBel remains on the list to receive this RFP directly once completed - we certainly hope that you will choose to respond.

Sincerely,

Kip Smith
Executive Director